

ANNUAL REPORT 2009-2010



Unitywater

Looking after water. Looking after you.



Unitywater

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An electronic version of the report is also available on the Unitywater website
www.unitywater.com/Annual-Report-2009-10

Translating and interpreter assistance

Unitywater is committed to providing accessible services to Queenslanders from all culturally and linguistically diverse backgrounds. If you have difficulty in understanding the annual report and need an interpreter, you can contact the Translating and Interpreting Service (TIS National) phone 131450.

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Chairman and CEO Report

The decision to form the Northern Distribution-Retailer Authority (Unitywater) was made by the State Government on 18 July, 2009 as part of the South East Queensland water reform program. Unitywater commenced operations on 1 July, 2010 after establishing all the necessary systems to ensure continuity in the provision of water supply and sewerage services across the Sunshine Coast and Moreton Bay regions.

The establishment of Unitywater was achieved through a program of work that encompassed the development of its structure, policies, ICT systems, facilities and transitional training to enable the transfer of water and sewerage services associated staff and assets from the Moreton Bay and Sunshine Coast Regional Councils. The program delivered a head office capability and a new retail capability including billing, revenue assurance and customer service systems.

During this time, the governance of Unitywater transitioned from an Establishment Committee, representing the Moreton Bay and Sunshine Coast Regional Councils, to an Interim Board that was appointed by the two councils. A permanent Board was appointed just prior to 1 July, 2010.

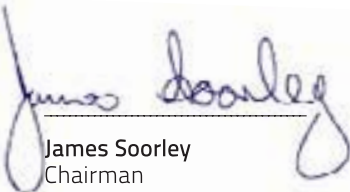
Throughout this period, Unitywater has worked with industry and government agencies to ensure

that our establishment has met all the regulatory changes of the State Government's reform program. Additionally, we have worked closely with the community to create an awareness of the South East Queensland water reform initiatives and this new statutory authority.

The establishment of Unitywater has been complex in many respects, and we continue to face significant internal and external challenges in the immediate future. It is critical for us to continually improve our services to the community, finding cost and process efficiencies through economies of scale and operational consolidation, while continuing to meet the challenges of regional growth and environmental care.

Our staff continues to experience significant change that started in 2008 with the South East Queensland local government reform, and will continue until Unitywater reaches a state of operational excellence.

Unitywater, through the skills, knowledge and experience of its staff and the Board, embraces the challenges ahead and will strive to achieve its vision of becoming a sustainable, industry-leading community and customer oriented water and allied services business.



James Soorley
Chairman

31 August 2010



Jon Black
Chief Executive Officer

31 August 2010

Introduction

ABOUT UNITYWATER

This report

This is Unitywater's first annual report and covers its establishment phase to June 2010. During this period, the responsibility for the delivery of water supply and sewerage services remained with the Moreton Bay and Sunshine Coast Regional Councils. The 2009/2010 Unitywater annual report reflects the authority's achievements and performance during the establishment phase, as Unitywater began its journey towards becoming a fully operational statutory authority.

This report is prepared in accordance with the *Financial Administration and Audit Act 1977*, the *Financial Management Standard 1997* and the *South East Queensland Water (Restructuring) Act 2007*.

Unitywater

Unitywater is a statutory authority responsible for water supply and sewerage services to Moreton Bay and Sunshine Coast residential and business customers. We are one of three distributor-retailer water authorities established as a result of the Queensland Government's water reform program to serve different parts of South East Queensland (SEQ).

As a local authority, Unitywater is focused on serving the needs of the communities in the Moreton Bay and Sunshine Coast council regions. This report is integral to our customer service commitment, providing transparent reporting of our newly formed organisation.

Our vision

Unitywater's vision is to be a sustainable, industry-leading, community and customer oriented water and allied services business.

Our purpose

Unitywater exists to deliver water to customers and to collect, transport, treat and dispose of their sewage.

Our values

Our values describe what Unitywater stands for and the way it seeks to be viewed both internally by our people and externally by our customers and stakeholders. Our values are enduring and will drive our behaviours, defining our culture.

Safe

- We are committed to providing safe water supply and sewerage services.
- We are committed to an incident and injury free workplace.
- We carry out our daily tasks with safety as a priority.
- We recognise safety as a priority and as the responsibility of all staff in Unitywater.

Responsive

- We build solid relationships with each other and our stakeholders based on respect and integrity.
- We listen and respond to our customers' needs.
- We work cooperatively with our suppliers towards mutual benefit.
- We engage and meet the requirements of our regulators.
- We provide excellent service through clear communication.
- We create a culture based on growth and enjoyment.

Sustainable

- We promote a workplace where people are empowered and focus on continuous improvement.
- We are innovative in the delivery of our products and services.
- We make decisions that balance the best interests of the business, customers, staff, the environment and the community.
- We seek to understand and minimise our impact on the surrounding environment.



Our profile

ABOUT UNITYWATER

Who we are

The Northern SEQ Distributor-Retailer Authority, trading as Unitywater, was established under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009* on Wednesday 4 November 2009. We operate in accordance with this Act and the *South-East Queensland Water (Distribution and Retail Restructuring) and Other Legislation Amendment Act 2010*.

We are an independent statutory authority combining the Moreton Bay and Sunshine Coast Regional Council's water businesses. Unitywater is directed by an independent board with a charter to provide water and sewerage services to the businesses and communities in the two council regions.

Unitywater is a party to the Northern SEQ Distributor-Retailer Authority Participation Agreement, which requires that we conduct our operations in accordance with government objectives. Our objectives, aligned to these requirements, are described further in this section.

Unitywater is one of three water distributor-retailers established by the Queensland Government in 2009/10 to serve different parts of South East Queensland (SEQ). Our primary function is to deliver water to customers and to collect, transport, treat and dispose of their sewage.

As a key participant in SEQ water grid, we work collaboratively with the bulk water, other distributor-retailer organisations and the SEQ Water Grid Manager.

Timeline of water reform

2007 MAY

The institutional reform for the water industry began when the Queensland Water Commission (QWC) presented its urban water supply arrangements in SEQ report to the State Government.

2007 NOV

South East Queensland Water (Restructuring) Act 2007 came into effect. Queensland Bulk Water Supply Authority (Seqwater), Queensland Bulk Water Transport Authority (LinkWater) and WaterSecure established.

2008 MAR - JUL

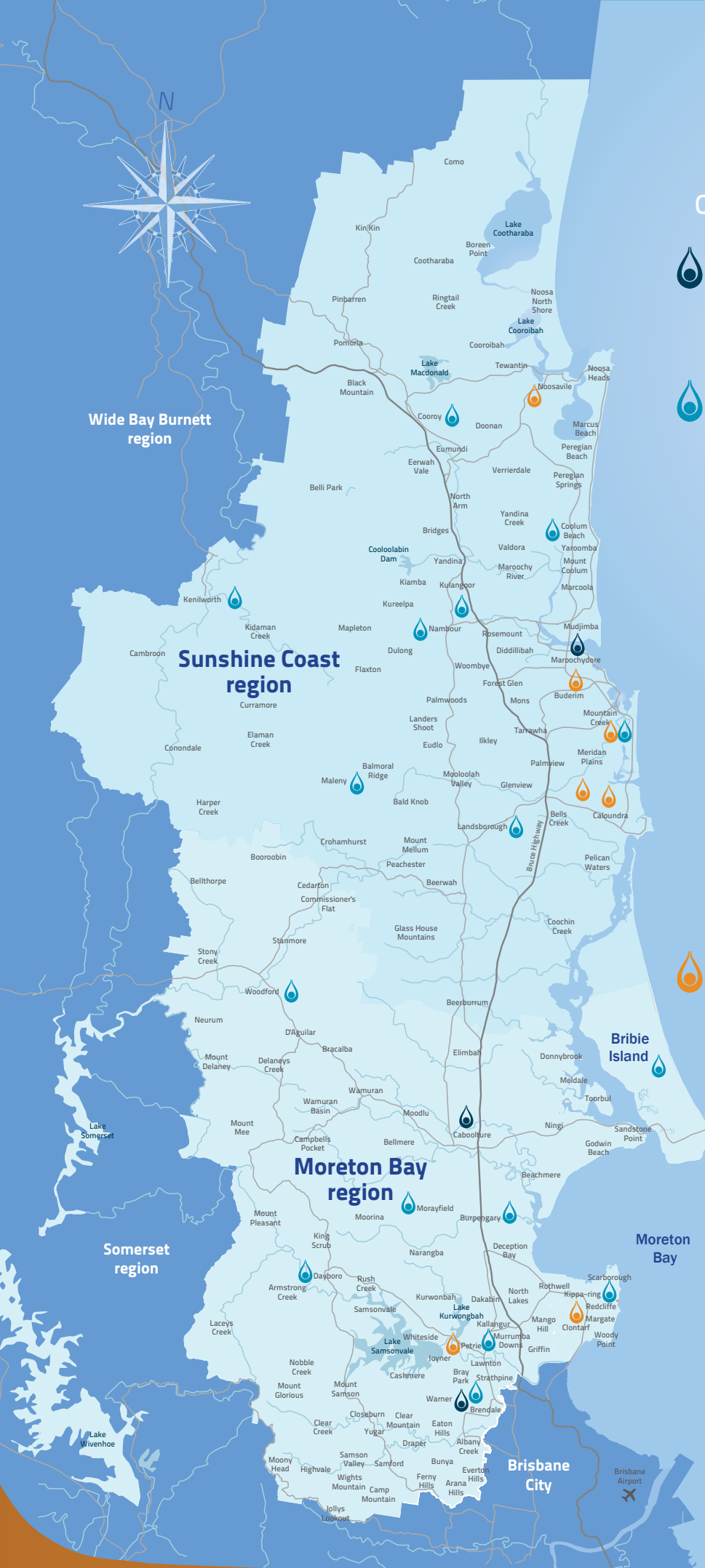
Bulk water assets of the SEQ councils transfer to the Queensland Bulk Water Supply Authority (Seqwater).

2009 JUL

Water distributor-retailer framework announced.

2010 JUL

Water distributor-retailers in SEQ Unitywater, Queensland Urban Utilities and Allconnex Water begin operations.



Our region and business



OFFICES

- Caboolture** - 33 King Street Head Office
- Brendale** - 27 South Pine Rd
- Maroochydore** - 8 - 10 Maud St



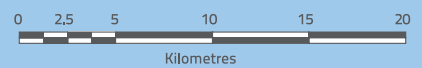
SEWAGE TREATMENT PLANTS

- South Caboolture** - 67 Weier Rd
- Bribie Island** - 106 -136 First Ave
- Burpengary East** - 601 Uhlmann Rd
- Woodford** - 28 Canando St
- Kenilworth** - Kenilworth Broloo Rd
- Cooroy** - 5 Mary River Rd
- Kawana** - Lot 101 Main Dr
- Landsborough** - Lot 10 Forestry Rd
- Maleny** - Lot 1 Maleny St
- Redcliffe** - Lot 18 Duffield Rd
- Murrumba Downs** - Lot 2 Bickle Rd
and recycled water facility
- Brendale** - 3/26 Cribb Rd
- Dayboro** - Lot 2 Strong Rd
- Maroochydore** - 38 Commercial Rd
- Nambour** - Lot 1 Bli Bli Rd
- Coolum** - Lot 2 Marsh Rd
- Sunshine coast** - Finland Rd Bli Bli



DEPOTS

- Petrie** - 13/2-20 Beeville Rd
- Margate** - 10/109 Duffield Rd
- Caloundra** - 204 Sugarbag Road
- Caloundra** - Industrial Avenue
- Maroochydore** - Wises Road
- Noosaville** - 183 Eumundi Road
- Kawana** - Tandem Avenue



Our profile

ABOUT UNITYWATER

What we do

We own the water distribution, sewage treatment and distribution infrastructure that was transferred from the Sunshine Coast and Moreton Bay Regional Councils.

We are responsible for:

- buying water from the Queensland Government's SEQ Water Grid Manager and delivering it to residents and businesses;
- collecting, transporting, treating and disposing of sewage;
- operating and maintaining water supply and sewerage infrastructure and assets, including water supply and sewerage reticulation networks and sewage treatment plants;
- providing a specialised recycled water service to a number of businesses;
- managing and issuing accounts for household and commercial water, sewage and trade waste services; and managing customer enquiries and other related services.

Our service area covers more than 5000 sq km with an estimated current population of 670,000 residents, representing approximately 21% of Queensland's total population.

This population is predicted to grow exponentially to 804,000 residents by 2016 and 1,024,000 residents by 2031, representing a 20% and 53% population growth respectively.

How we do business

Our objectives

Unitywater is evolving a forward-looking strategic plan that has a number of objectives to help achieve our vision.

1. Deliver a safe, reliable and value-for-money service to our customers.
2. Operate an effective, efficient and value-for-money integrated whole-of-region business.
3. Maintain a safe, empowered and motivated workforce.
4. Maximise shareholder value.
5. Develop new business opportunities.
6. Maintain and build effective partnerships and stakeholder relationships.

Unitywater's role in providing water services in a fast-growing region will challenge our business in terms of these broad objectives and, more specifically, in how we manage infrastructure growth, capital affordability, financial and asset sustainability while also maintaining a superior level of responsiveness to our customers.

Driving our success will be our highly skilled and motivated workforce and the systems and plans we have begun to put in place over our first eight months.

At a strategic level, this will involve establishing policies and plans around the development of our people, our infrastructure and our knowledge.

At a tactical level, this will also involve merging the operational elements of the previous Moreton Bay and Sunshine Coast areas into a single Operations Division to improve the efficiency and effectiveness of our services. Our Information Communication Technology (ICT) systems and our Retail Division will be further developed to operate completely independently from the former council systems that were transferred to enable operational readiness by 1 July, 2010.

2010-2011 will be a period of significant change, both for our people and for the communities we service. As such, we will need to be aware of and overcome the following challenges:

- customer response to bulk water charges and the water reform program;
- consolidation of water supply and sewerage services into a single division;
- consolidation of support operating systems across the authority;
- optimisation of the organisational structure;
- rejuvenation of an aging workforce and attraction of scarce water industry competencies;
- aligning strategic asset planning with growth drivers reflected in multiple unconsolidated town plans;
- water loss management; and
- separation of residual ICT systems from councils.

Where we operate from

■ Head office :

33 King Street,
Caboolture

■ 8-10 Maud Street,
Maroochydore

■ 27 South Pine Road,
Brendale

■ 67 Weier Road,
South Caboolture

In addition, Unitywater has seven depots across the Moreton Bay and Sunshine Coast regions that enable field staff to be efficiently deployed.



The year in review

ABOUT UNITYWATER

The road to 1 July 2010

Unitywater's establishment phase focused on delivering a well-planned and considered program of works to establish the new statutory authority. Twelve key objectives were developed to successfully establish Unitywater, including the business-critical objectives of continuity of service, billing and revenue management, achievement of statutory obligations, service level agreements and workforce retention. Successfully achieving these criteria required the development of the structure, policies, procedures, ICT systems, facilities and transitional training across all functions of the organisation.

The establishment program ensured that every critical operational area was business ready on 1 July, 2010 through a program of work that achieved the following objectives.

	OBJECTIVE	ACHIEVED
1	Identification of participant council staff and the recruitment of additional specialist staff required for the management of Unitywater from 1 July 2010.	✓
2	Development of the policies and procedures for the governance of Unitywater from 1 July 2010.	✓
3	The development of ICT systems to facilitate billing, payroll and reporting functions separate to those of the participant councils.	✓
4	The development of a new retail business including the marketing of the Unitywater brand and services.	✓
5	The establishment of Service Level Agreements (with the participant councils) and other contractual agreements to enable the operations of Unitywater from 1 July 2010.	✓
6	The occupation of permanent accommodation for the head office and the retail business.	✓
7	The preparation of change materials such as uniforms, signage and transition training.	✓
8	Recruitment and/or transfer of staff from participant councils in accordance with the Workforce Framework to allow operations from 1 July 2010.	✓
9	Legal transfer of assets.	✓
10	Induction of all Unitywater staff.	✓
11	Conduct of incident management training.	✓
12	Delivery of an internal and external Unitywater brand makeover.	✓

Major achievements

Establishing Unitywater in less than 12 months was a major achievement for the dedicated establishment program staff, and the scale of this achievement is demonstrated in the program highlights and achievements listed below:

- establishment of finance, workforce capability, regulatory and planning functions;
- establishment of corporate governance through the formation of an independent Board and management team, and the development of the necessary policies and procedures;
- transfer of over 800 council staff in accordance with the Workforce Framework;
- transfer of all water supply and sewerage services related obligations and assets;
- establishment of a new head office in Caboolture, including critical information systems and customer service capabilities;
- establishment of a Business Resilience Framework that links to the SEQ Water Grid Manager's Emergency Response Plan;
- development of a strategic risk framework and system to assist in prioritising capital expenditure;
- development of a new brand and visual identity as statutory authority responsible for water supply and sewerage services within our region;
- development of a detailed submission to the Queensland Competition Authority based on detailed financial modelling substantiating Unitywater price structures;
- establishment of separate water and sewerage-specific versions of the councils' enterprise information systems; and
- compliance with new and existing legislation.

The future

Unitywater became operational on 1 July 2010 and is establishing a path that will lead to optimum operational performance and customer service.

Our primary aim for our first eight months of operation was to achieve complete separation of the existing water business and support functions from the Sunshine Coast and Moreton Bay Regional Councils, while maintaining continuity of service and supply.

The consolidation and optimisation of Unitywater's operation will be delivered over two phases, as shown in Diagram 1.

Our development path

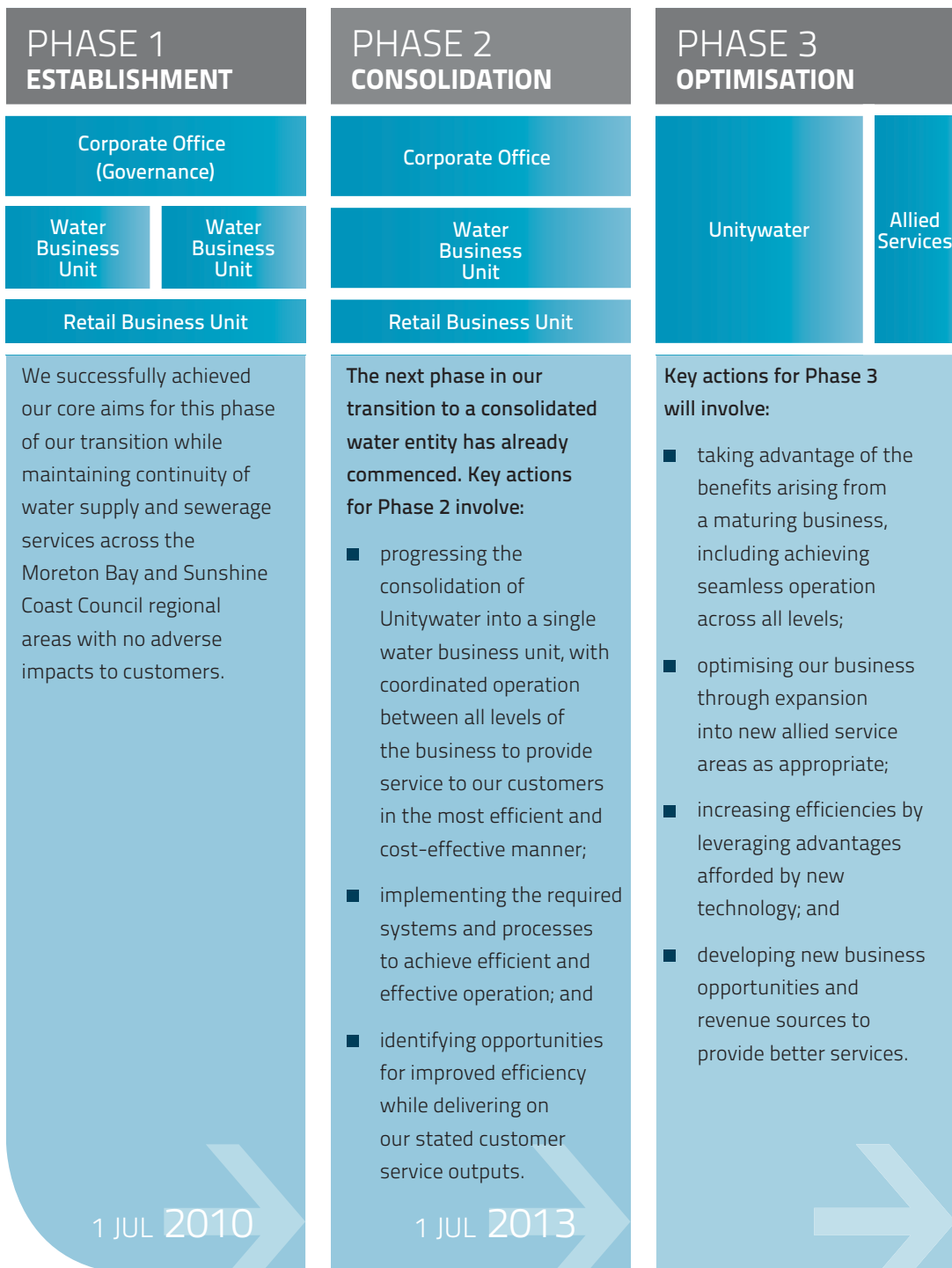


Diagram 1.

Summary of financial information 2009-10

ABOUT
UNITYWATER

2009-2010 was our establishment year and focused on putting in place the necessary plans, systems, processes and human resources to commence full operation from 1 July 2010.

As this was a set-up and establishment phase, no revenue was generated by our organisation in 2009-2010, as all water service billing during this period remained the responsibility of the Moreton Bay and Sunshine Coast Regional Councils.

Expenses were generated during this establishment phase to a total value of \$13,043,000. This expenditure delivered the following key outcomes to make us 'operation ready' by the end of the reporting period:

- establishment of a retail function, including transfer and testing of two billing systems, establishment of three customer service centres, two call centres, policies, processes, collateral and staff training;
- establishment of a corporate head office including all organisational support functions (finance and accounting, legal and governance, risk management, communications and marketing, information technology, procurement);
- development of the Unitywater brand, customer and community change communications; and
- transition of all council water business staff to Unitywater and establishment of payroll and other human resource support services.

Full financial statements for the period are provided at the end of this report.



Our business structure

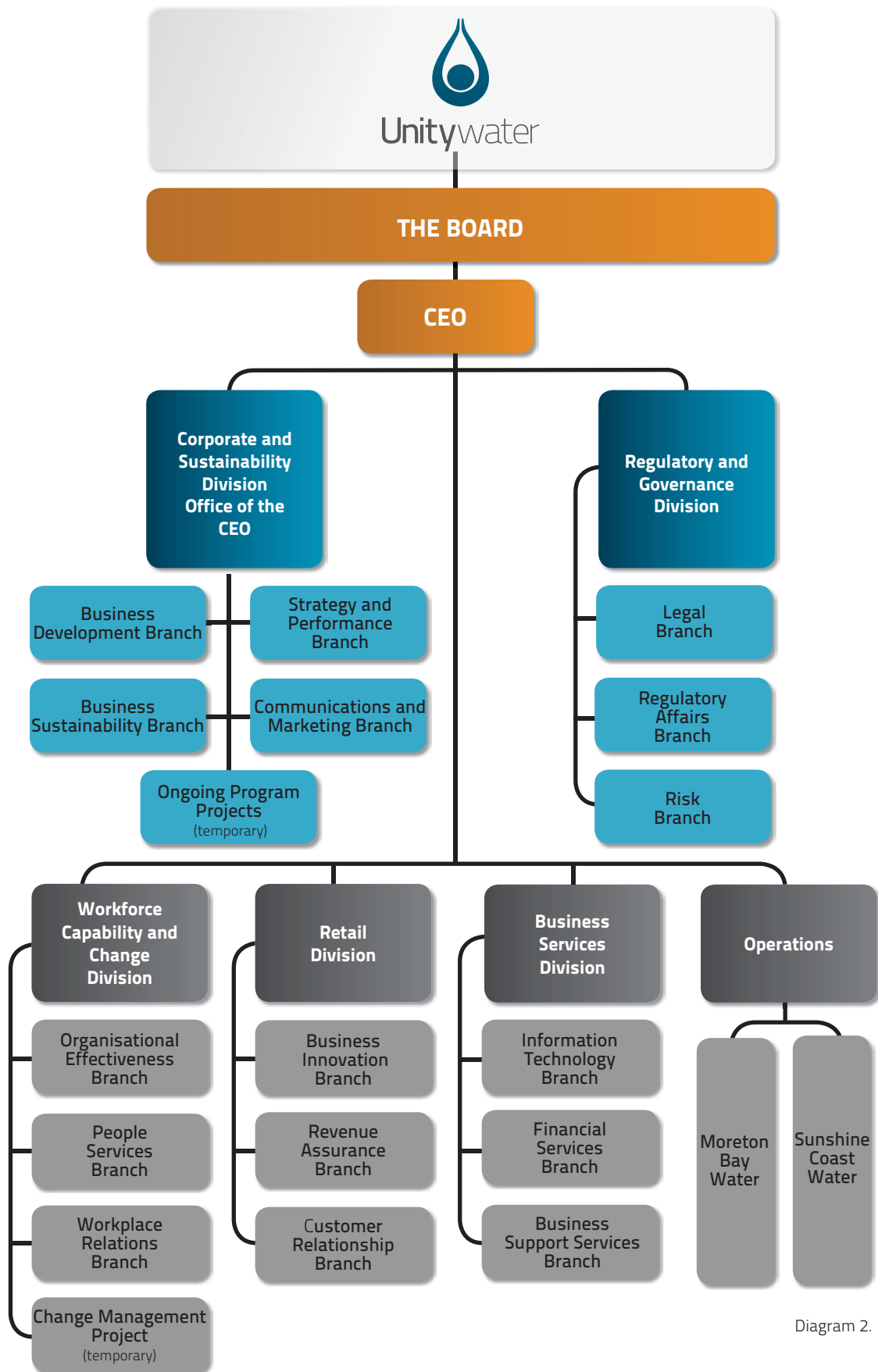


Diagram 2.

Diagram 2 details the business structure developed to commence operations on 1 July 2010.



John Rauber

John is the CEO of Moreton Bay Regional Council and was a director and member of the Executive Management Team of the former Pine Rivers Shire Council. John's career began in the private sector construction industry. He has more than 37 years' experience in local government, has trade and tertiary qualifications in the building and construction industry and a diploma from the Australian Institute of Company Directors.



John Knaggs

John is the CEO of the Sunshine Coast Regional Council. John is a seasoned professional in local government management and administration, and business change.



Jim Soorley

Jim was Lord Mayor of Brisbane from 1991 to 2003, presiding over an annual budget of \$1.6 billion and a workforce of 7,000. He was elected four times before stepping aside after 12 years. Jim lists changing Brisbane from a city with a 'country town' mentality into a vibrant urban metropolis, without compromising its liveability, as one of his greatest achievements.



Sharon Doyle

Sharon brings several years' experience in mergers, acquisitions, and strategic planning and integration management in the software and services industries.

Management structure

CORPORATE GOVERNANCE

Unitywater is a statutory authority combining the Moreton Bay and Sunshine Coast Regional Councils' water businesses. We were established under the South-East Queensland Water (*Distribution and Retail Restructuring*) Act 2009 and are governed by an independent Board.

We have a highly skilled and experienced Executive Management Team who provide direction on our day-to-day operations and a team of committed professional staff responsible for delivering services that support our organisational objectives and business imperatives.

Our board

Unitywater's establishment phase was initially overseen by an 'Establishment Committee' that comprised the Moreton Bay and Sunshine Coast Regional Councils' Mayors, Chief Executive Officers and Chief Financial Officers. The 'Establishment Committee' then appointed an Interim Board to oversee the ongoing establishment of Unitywater. The Interim Board consisted of:



Megan Houghton

Megan has more than 15 years' experience as a senior executive in the Australian energy and water industries in areas, including strategy development, and financial and economic performance, as well as spending four years as the head of strategy with Energex Retail.



Bob Thorn

Bob's career has focused on the development and growth of retail businesses in Australia, including David Jones and Super Cheap Australia, of which he was CEO for 14 years.



Michael Arnett

Michael has extensive board and management experience in energy and professional services organisations with significant experience in the corporate, commercial, mining and resources sectors.

A final Board was appointed on 25 June 2010 for the commencement of operations on 1 July 2010. The final Board consists of the members of the Interim Board with the exception of John Knaggs, Sunshine Coast Regional Council CEO, and John Rauber, Moreton Bay Regional Council CEO.



Board responsibilities

CORPORATE GOVERNANCE

The focus of the Interim Board in 2009-2010 was to oversee the development of effective and appropriate policies, practices and plans to guide the establishment and subsequent operation of Unitywater. This included:

- setting the strategic direction of Unitywater;
- ensuring Unitywater conducts itself in accordance with the acts it operates under and achieves the objectives set out in the Interim Agreement;
- reviewing and approving a strategic plan and operational establishment plan;
- ensuring Unitywater implements, monitors and reports at suitable intervals on the strategic and operational establishment plans;
- ensuring Unitywater's operational establishment plan and budget support the strategic plan;
- monitoring performance of Unitywater against appropriate performance indicators;
- approving delegations to the Chief Executive Officer and identifying those matters and policies reserved for approval by the Interim Board;
- reviewing the performance of the Chief Executive Officer;
- establishing and determining the powers and functions of Interim Board Committees;
- approving annual financial reports;
- acting as an interface between Unitywater and the participants (councils) ;
- approving all operational and capital expenditure outside the approved budget of Unitywater;
- monitoring corporate governance practices in Unitywater;
- cooperating with the Auditor General appointed under legislation to audit Unitywater's financial statements;
- appointing an Interim Board Secretary (Unitywater Secretary);
- developing a Participation Agreement in accordance with the act and securing the agreement of the participants' and the minister's approval;
- developing a transfer scheme in accordance with the act for the transition to Unitywater from the participants; and
- preparing Unitywater to undertake its primary functions under the act by 1 July 2010.

Board meeting attendance

The Interim Board met five times during 2009-2010.

Member	Meetings held	Meetings attended
John Rauber	5	5
John Knaggs	5	5
Jim Soorley	5	5
Sharon Doyle	5	5
Megan Houghton	5	4
Bob Thorn	5	5
Michael Arnett	5	5



Jon Black

Chief Executive Officer

Jon draws on 30 years of management experience to be the CEO of Unitywater and a Director of the Water Services Association of Australia. Prior to his appointments, Jon was the CEO of the now disbanded, whole-of-South East Queensland water and sewerage distribution business, as well as being the first Executive Director of The Council of Mayors in 2005. He also spent 25 years in the Army in command and management roles, including Director of Training Management.



Peter Scott

Chief Financial Officer/
Deputy CEO

Peter brings over 20 years of experience in strategic business growth and high-level budget development to the EMT from areas such as local and state government, as well as competitive water business. He has managed budgets in excess of \$3 billion, and led teams in excess of 900 staff



Judy Bailey

Executive Manager Retail

Judy has extensive executive management experience across diverse industries in major public and private sector environments. Responsible for managing budgets up to \$222 million, she has a successful track record in organisational strategy and change, business reform and the delivery of improved services to the community.



Gary Sabburg

Executive Manager,
Operations - North

Gary's 35 years' experience within the water supply and sewerage industry includes involvement in design, construction operations and maintenance activities for State and Local Government. Gary was instrumental in developing an industry alliance group 'Maroochy ExcelWater' to deliver a best practice service within Maroochy Water Services as well as external clients.

Our executive management team

CORPORATE GOVERNANCE

The Executive Management Team is Unitywater's senior leadership team, led by the Chief Executive Officer. The Executive Management Team supports the Chief Executive Officer in the leadership of the authority in daily operations and the achievement of the strategic plan approved by the Board.



Barry Holcroft

Executive Manager,
Operations - South

Barry's career spans 36 years in local government water businesses, including 22 years with Brisbane City Council, and 14 years with the former Pine Rivers Shire Council. Barry contributes to Unitywater a wealth of knowledge and experience in operations, maintenance, design, and construction and management of water supply and sewerage infrastructure.



Antoinette Carley

Executive Manager,
Regulatory and Governance

Antoinette oversees the regulatory, governance, risk management and compliance responsibilities of Unitywater. To contribute to the achievement of Unitywater's strategic objectives, she draws on extensive public and private sector experience in water reform, systems establishment, board development, infrastructure projects, commercial contracts and company directorship.



Glen Babington

Executive Manager
Corporate and Sustainability

Glen Babington became involved in the SEQ water industry through the formation of the SEQ Distribution Entity and Queensland Urban Utilities before joining Unitywater. He has a background in leading large field-based organisations in defence and mining along with strategic planning and marketing experience in the aerospace industry.

Executive remuneration

During the establishment phase of Unitywater, only three executives were employed by Unitywater, noting that a number of council executives were seconded and contractors engaged for specific pieces of executive work.

The remuneration of executives employed by Unitywater was banded as follows:

\$150,000 - \$199,999	1
\$200,000 - \$249,999	1
\$250,000 - \$299,999	1
TOTAL	3



Risk management and accountability

CORPORATE GOVERNANCE

The review and management of risk within Unitywater is undertaken at the Board level through the Risk and Audit Committee that has the following objectives:

- reporting financial information;
- applying accounting policies;
- financial management;
- internal control systems (including internal audit and assurance);
- risk management;
- industrial relations;
- workplace health and safety; and
- compliance with applicable laws and regulatory requirements.

The Audit and Risk Committee comprises:

- Michael Arnett (Chair),
- Megan Houghton,
- Sharon Doyle, and
- Bob Thorn.

Strategic and operational risks are assigned to, and actively managed by, the members of our Executive Management Team and Board. Our risk dashboard, a highly effective reporting tool that provides a snapshot of organisational risk, is regularly reviewed by the Executive Management Team and the Board's Risk and Audit Committee.

During 2009-2010

we achieved the following:

- establishment of a business-wide risk management framework;
- development of management and reporting tools, including risk registers and risk reporting protocols to be applied across the entire organisation;
- the identification of key strategic risks for treatment;
- establishment and implementation of a staff induction program and Code of Conduct training to meet the requirements of the *Public Sector Ethics Act 1994*; and
- commencement of the procurement process for internal audit services.

At the time of preparing this report, Unitywater was in a tender process for the provision of internal audit services that will include the audit of transitional and integration processes to date.

In addition, while the organisation adheres to the *Whistleblowers Protection Act 1994*, no instances or disclosures were required to be made to the minister's office for the reporting period.



Our workforce

CORPORATE GOVERNANCE

Workforce establishment

Unitywater was created through the merger of the water businesses of Moreton Bay and Sunshine Coast Regional Councils. As such, our establishment phase workforce was staffed by people seconded from these councils and by contractors and consultants where specific resource or skills requirements were identified.

Thirteen employees transferred from these councils prior to 30 June 2010 to provide payroll and administrative functions required for the commencement of operations on 1 July 2010.

Thirty-six council employees were seconded to Unitywater during the period 2 November 2009 to 30 June 2010 (a total of 35.8 FTE). A further 55 contractors and consultants provided services to complete the required program of work.

Unitywater made no redundancy, early retirement or retrenchment payments for this reporting period.

Retention and turnover

We are a newly formed authority and are working towards becoming an employer of choice through our approach to our staff.

Over the coming year, we will develop and formalise policies aimed at achieving a sustainable work/life balance for our workforce.

We will also look at the training needs of our staff and develop policies and programs around the ongoing development of our team at all levels of the organisation.

Consultancies

Unitywater engaged consultants for specific projects and activities that could not be provided by the councils.

The total cost of consultancies for the establishment period to 30 June 2010 was \$1,569,757.

This was broken down across the following categories:

Category	Summary	Value
Business Services	Pricing, policy and systems development.	\$522,036
ICT	Systems review and implementation.	\$223,122
Legal, regulatory and governance	Risk management and organisational direction.	\$176,006
Office of the CEO	Office establishment and probity services.	\$55,818
Operations	Establishment of new Development Application Process.	\$36,900
Program management office	Development of a business resilience framework and incident response rehearsals.	\$92,200
Retail	Billing process development and monitoring.	\$407,965
Workforce capability	Policy development and system evaluation.	\$55,710
TOTAL		\$1,569,757

Overseas travel

There was no expenditure on overseas travel in the 2009-10 reporting year.

Planning framework

The Workforce Capability and Change Division was developed during this period to:

- proactively partner with the councils to ensure an effective transition of staff to Unitywater, ensuring that staff retention was maximised;
- ensure staff were involved in, supported through and engaged in the change process and were clear about their employment arrangements;
- ensure the employee lifecycle processes, policies, systems, decisions and resources were in place for commencement of the new business without disruption to service provision to the community and compliant with legislative requirements;
- leverage existing councils' capabilities, business processes, body of knowledge, systems and workforce talent; and
- build a platform that would provide the foundation for Unitywater to be recognised as an employer of choice.



Information systems and recordkeeping

CORPORATE GOVERNANCE

As a newly established statutory authority, Unitywater is embarking on a progressive approach to the implementation of a recordkeeping environment that is fully compliant with the provisions of Information Standard 40.

Our Documents and Records Management Policy directs that the organisation 'makes and keeps full and accurate records' and recordkeeping obligations and arrangements have been communicated to staff members during our establishment phase.

We have taken the following steps to ensure the safe custody and preservation of our records:

- 'Records access agreements' established with both Moreton Bay and Sunshine Coast Regional Councils;

- an obligation for compliance with Unitywater records management requirements is a standard component of external service provider contracts established by Unitywater; and
- a contract has been let with a commercial records storage provider for the off-site storage of inactive Unitywater records.

The effectiveness of our processes to date will be measured through an initial 'records management usage audit' in 2011.



Northern SEQ Distributor - Retailer Authority
trading as **Unitywater**

Financial Statements
for the period
3 November 2009 to 30 June 2010

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Financial Statements — June 2010

Northern SEQ Distributor - Retailer Authority Trading as Unitywater

General Information

The Northern SEQ Distributor-Retailer Authority (NSDRA) trading as Unitywater is a statutory body established under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009 (The Restructuring Act)*. The NSDRA was established to provide water supply and sewerage services to Moreton Bay and Sunshine Coast residential and business customers from 1 July 2010.

The history behind this is as follows:

- On 18 July 2009, the Queensland Government agreed to the SEQ Council of Mayors' proposal to establish three integrated water retail/distribution businesses in the SEQ region.
- In September 2009, the CEOs of the Moreton Bay Regional Council (MBRC) and the Sunshine Coast Regional Council (SCRC) signed a Heads of Agreement to facilitate the formation of the NSDRA trading as Unitywater.
- On 3 October 2009 the Queensland State Government assented to the South-East Queensland (Distribution and Retail Restructuring) Act 2009 (The Restructuring Act), enabling the establishment of the new water entities.
- The two other water entities and their participating councils in the SEQ region are:
 - a. Central SEQ Distributor-Retailer Authority trading as Queensland Urban Utilities: Brisbane City, Ipswich City, Lockyer Valley, Scenic Rim and Somerset Regional Councils; and
 - b. Southern SEQ Distributor-Retailer Authority trading as Allconnex: Gold Coast City, Logan City, and Redlands Councils.

The NSDRA is controlled by an independent board on behalf of its two participating councils; Moreton Bay Regional Council and Sunshine Coast Regional Council.

The NSDRA expires at the end of 99 years from when it was established on 3 November 2009. On expiry, the assets and liabilities of the NSDRA will revert to the participating Councils.

These financial statements are for the period from 3 November 2009 to 30 June 2010. During this time, the NSDRA executed Phase One of its Five Year Plan. This was to establish the entity's operational capability in order to receive and operate the water businesses of the two participator councils which transferred to it on 1 July, 2010. This was done under a project management regime with focus on the governance framework and the quality and performance frameworks to enable the entity to operate as a responsible and accountable authority. The onus during this time was to ensure continuity of service and a seamless transition for customers on 1 July.

The head office and principal place of business of the NSDRA is:

**Ground Floor,
33 King Street,
Caboolture QLD, 4510.**

FINANCIAL
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Statement of Comprehensive Income

for the period ended 30 June 2010

	Notes	2010 \$000
Income		
Total income	4	-
Expenses		
Supplies and services	5	12,989
Other expenses	6	54
Total expenses		13,043
Loss		(13,043)

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 30 June 2010

	Notes	2010 \$000
Current asset		
Cash and cash equivalents	2f	-
Trade and other receivables	8	697
Other	9	57
Total current assets		754
Non-current assets		
Property, plant and equipment	7	2,160
Total non-current assets		2,160
Total assets		2,914
Current liabilities		
Trade and other payables	10	(15,957)
Total current liabilities		(15,957)
Total liabilities		(15,957)
Net assets		(13,043)
Equity		
Accumulated surplus/(deficit)		(13,043)
Total equity		(13,043)

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

for the period ended 30 June 2010

	Accumulated Profit /(Loss)
	2010 \$000
Balance at 3 November 2009	-
Loss	(13,043)
Loss for the period	(13,043)
Balance at 30 June 2010	(13,043)

The accompanying notes form part of these financial statements.

Financial Statements — June 2010

Notes to and forming part of the financial statements

1. Report Authority

The Northern SEQ Distributor-Retailer Authority (NSDRA) trading as Unitywater is a Queensland Statutory Body established under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009 (The Restructuring Act)*. The Restructuring Act specifically states that seven other Acts apply to the NSDRA; most notably in relation to these Financial Statements, the *Financial Accountability Act 2009* and the *Statutory Bodies Financial Arrangement Act 1982*.

The Restructuring Act states that the NSDRA's functions are to do the following in its geographic area on and from 1 July 2010:

- purchase water from the water grid manager,
- distribute water and provide water and sewerage services to its customers,
- charge customers for those services and manage customer enquiries, service requests and complaints,
- perform functions under this act and the Water Supply Act relating to trade waste as a sewerage service provider,
- perform particular planning and development assessment functions under the Planning Act,
- anything else likely to complement or enhance a function mentioned above,
- any other business or function that the NSDRA considers appropriate.

The NSDRA expires at the end of 99 years from when it was established on 3 November 2009.

On expiry the Restructuring Act states that:

'the participants become the successor in law of the assets and liabilities rateably in accordance with their participation rights under the distributor-retailer's participation agreement'

The NSDRA is primarily involved in the distribution and retail of water and provides water and sewerage services to customers in the local government areas of the Moreton Bay and Sunshine Coast Regional Councils.

The NSDRA's first reporting period is the 3 November 2009 to 30 June 2010. As this is the first reporting period, no comparatives have been reported.

2. Significant accounting policies

a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared for the period 3 November 2009 to 30 June 2010 in accordance with:

- applicable Australian Accounting Standards (AAS) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB);
- the *Financial and Performance Management Standard 2009*;
- Queensland Treasury's Financial Reporting Requirements for Queensland Government agencies; and
- other authoritative pronouncements.

b) Date of authorisation

The financial statements were authorised for issue on the date they were submitted to the Auditor-General for final signature. This is the date the management certificate is signed.

c) Basis of measurement

The financial statements have been prepared on an accrual basis and are based on historical costs.

d) Presentation currency and comparatives

The financial statements are presented in Australian dollars, which is the NSDRA's functional currency. Amounts included in the financial statements have been rounded to the nearest \$1,000 unless disclosure of the full amount is specifically required.

e) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Uncertainty exists as to the valuation of assets that will be transferred by participating councils as disclosed in note 13.

FINANCIAL STATEMENTS

f) Cash and cash equivalents

During this period of establishment, the NSDRA had no bank accounts nor held any cash. One of its participator Councils; Moreton Bay Regional Council; paid all debts on the NSDRA's behalf which were then recharged to the NSDRA via an invoice to be paid after 1 July 2010.

As NSDRA has no cash holdings at period-end a Cash Flow Statement has not been prepared.

g) Taxation

Income of the NSDRA is exempt from any taxation liability except for Fringe Benefits Tax, Payroll Tax and GST. The net amount of GST refundable from the Australian Tax Office is shown as an asset in these financial statements.

The NSDRA will be a participant in the Local Government Tax Equivalent Regime from 1 July 2010. As a result an "equivalent" or "notional" income tax liability is payable to Moreton Bay and Sunshine Coast Regional Councils as participants of the NSDRA.

During the period ended 30 June 2010 \$13,043K of tax losses were recognised as it is considered probable that future taxable profits will be generated against which the tax losses could be utilised.

h) Property, plant and equipment

Assets under construction (work in progress) are carried at cost and not depreciated until they reach service delivery.

i) Payables

Trade creditors are recognised upon receipt of the goods or services ordered and are

measured at the agreed purchase /contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

j) Going concern

Although these financial statements disclose a loss and there is no cash held by the NSDRA for the period, these statements have been prepared on a going concern basis. This is because these financial statements are reporting the costs incurred in order to establish the entity ready for it to operationally commence on 1 July 2010.

The participating Councils have funded the establishment costs and will be reimbursed by the NSDRA drawing down working capital debt from the participating Councils; Moreton Bay Regional Council and Sunshine Coast Regional Council; after 1 July 2010.

k) Employee benefits

Under the Restructuring Act's Workforce Framework, employees will transition from the existing Councils as at 1 July 2010. At 30 June 2010, there is no liability for employee benefits. Refer to Note 13 for details of post balance sheet events.

l) Contingent liabilities

There are no known contingent liabilities.

m) New and revised Accounting Standards

The authority did not voluntarily change any of its accounting policies during 2009-10. Those new and amended Australian accounting standards that were applicable for the first time in the 2009-10 financial year and that had a significant impact on the department's financial statements are as follows.

3. Financial risk management

Overview

The NSDRA's activities expose it to a variety of financial risks including credit risk, liquidity risk, market risk, interest rate risk and operational risk.

Risk management framework

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board on its activities.

Exposure to financial risks is managed in accordance with the NSDRA's approved policies on financial risk management. These policies focus on managing the volatility of financial markets and seek to minimise potential adverse effects on the financial performance of the NSDRA. The NSDRA measures risk exposure using a variety of methods on left:

RISK EXPOSURE
Credit Risk
Liquidity risk
Interest rate risk
MEASUREMENT METHOD
Ageing analysis
Maturity analysis
Sensitivity analysis

Financial Statements — June 2010

Credit risk

Credit risk exposure refers to the situation where the NSDRA may incur a financial loss as a result of another party to a financial instrument failing to discharge their obligations. The NSDRA has concentration of credit risk from receivables due from its customers.

The NSDRA will be exposed to credit risk through its investments with the Queensland Treasury Corporation (QTC) and deposits held with banks. The QTC Cash Fund is an asset management portfolio that invests with a wide variety of high credit rating counterparts. Deposits are capital guaranteed. Other investments will be held with highly rated and regulated financial institutions, and while not capital guaranteed the likelihood of a credit failure is remote.

Liquidity risk

Liquidity risk refers to the situation where the NSDRA may encounter difficulty in meeting obligations associated with financial liabilities. The NSDRA is exposed to liquidity risk through its trading in the normal course of business and borrowings from the QTC for asset acquisitions and capital works and from Moreton Bay and Sunshine Coast Regional Councils for its working capital requirements. The NSDRA will manage its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows.

Market risk

The NSDRA will not trade in foreign currency and will not be materially exposed to commodity price ranges. The NSDRA will be exposed to interest rate risk through its borrowings from QTC and cash deposited in interest bearing accounts. The NSDRA will manage that part of its portfolio by setting, monitoring and adjusting the terms and duration of its loan portfolio as allowed under its commercial financing contract with QTC.

Interest rate risk

The NSDRA will be exposed to interest rate risk through its borrowings and investment with QTC and cash deposited in interest bearing accounts. The risk in borrowing is effectively managed by borrowing from financial institutions, which provide access to floating funding sources so the desired interest rate risk exposure can be constructed.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the NSDRA's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks will arise from all the NSDRA's operations.

The NSDRA objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the NSDRA's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall NSDRA's standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Training and professional development
- Risk mitigation, including insurance where this is effective.

Interest rate risk in other areas is mitigated.

Capital management

The NSDRA was established under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*. The participating local governments for the NSDRA are the Moreton Bay Regional Council and Sunshine Coast Regional Council.

On 24 March 2010 the Minister for Natural Resources, Mines and Energy and Minister for Trade have advised the participating local governments on the approved initial Regulatory Asset Base for the NSDRA as at 1 July 2008, and they are as follows:

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	\$000
Moreton Bay Regional Council	1,110,017
Sunshine Coast Regional Council	919,853
	2,029,870

The participating councils are required by the act to enter into an agreement (a participation agreement). The participation agreement specifies the participants' rights to participate in a distribution of profits of the NSDRA in proportion to the percentage set out next to the participants name in the Register of Participation Rights. Section 43 of the Act requires that the distributor-retailer must not distribute any of its profits unless the distribution has been approved in the way provided for under its participation agreement.

During the period from 15 March to 15 April in each financial year the NSDRA must give to the participants:

- (i) an estimate of the NSDRA's net profit for the financial year; and
- (ii) the amount of the Participation Return to be paid for the financial year, including the amount payable for different participation rights.

Distribution of profit in 2010 is Nil.

4. Income

During the period to which these statements relate, the NSDRA was not operating in its capacity of water services provider. It was establishing the necessary business functions in order to receive and operate the water businesses of the two participator councils which transferred to it on 1 July 2010. There was, therefore, no revenue to report in these statements.

5. Supplies and services

	2010 \$000
Consultants and contractors	6,072
Materials and services	6,917
	12,989

6. Other expenses

	2010 \$000
External audit fees	40
Other	14
	54

7. Property, plant and equipment

All expenditure is for work in progress where items of a capital nature have been started in order to make the entity operationally ready for 1 July 2010. Work in progress is measured at cost.

8. Trade and other receivables

Current	
GST receivable	697
GST payable	-
Total	697

Financial Statements — June 2010

9. Other current assets

Prepayments	57
Total	57

10. Trade and other payables

Current	
Trade creditors	7,668
Share of Interim Entity's Establishment costs	5,815
Other	2,474
Total	15,957

11. Auditor's remuneration

These financial statements are subject to an external audit by the Queensland Audit Office. Fees for this period are \$40,000.

12. Board remuneration

During the period covered by these financial statements, an interim Board was appointed. The Board members who were paid or were due to be paid by the NSDRA were:

Jim Soorley, Chairman

Sharon Doyle

Megan Houghton

Bob Thorn

Michael Arnett

The total amount paid as Board remuneration was \$114,668.

13. Events after reporting period

The Queensland Water Commission's report to the Queensland Government on the Urban Water Supply Arrangement in South East Queensland proposed a range of structural and regulatory reforms for urban water supply arrangements in South East Queensland including enhanced economic regulation and pricing.

As part of the Queensland Government's ongoing restructure of the Urban Water Supply Arrangements, the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009* (the Act) established three new statutory bodies, on 3 November 2009. Transfer of the control of water distribution and sewerage

infrastructure from existing local government water businesses to these entities occurred on 1 July 2010. The new entities comprise:

- Central SEQ Distributor-Retailer Authority (trading as Queensland Urban Utilities)
- Northern SEQ Distributor-Retailer Authority (trading as Unitywater)
- Southern SEQ Distributor-Retailer Authority (trading as Allconnex Water)

Under the act, governance arrangements for the new authority were established in a Participation Agreement, which is operative from 25 June, 2010.

The councils' total contribution to the authority has been calculated using a regulatory asset base (RAB) valuation approved by the Queensland Government to represent the market value of the business. This valuation was prepared to underpin the water pricing methodology currently under review by the Queensland Competition Authority. Each council's portion of this total is based on its participation rights, comprising debt and participation rights as agreed by the councils and the authority.

Indicative participation rights held by the Participating Councils in the Northern SEQ Distributor Retailer - Authority are:

Moreton Bay Regional Council	58.9%
Sunshine Coast Regional Council	41.1%

In addition to the transfer of physical assets, the Participating Councils provided loans (45% of the contribution) to the authority under a separate loan agreement. The loans

FINANCIAL STATEMENTS

are subject to a fixed interest rate of 6.6723% (25% of the contribution) and 7.5125% (20% of the contribution) with quarterly interest-only payments for three years. Following these payments, the terms will be renegotiated.

Participation returns will be paid from post-tax operating profits (after adjusting for capital receipts).

The authority will operate under a tax equivalent regime, with all tax paid being distributed to the Participating Councils on a pro-rata basis to its participation rights. Tax is to be payable quarterly based on a percentage of the authority's gross revenue until its first tax assessment.

Pursuant to a transfer notice gazetted on 29 June, 2010, assets, liabilities, instruments and employees associated with Councils' water distribution and sewerage operations were transferred to the Northern SEQ Distributor-Retailer Authority on 1 July 2010 and form part of the authority's opening Statement of Financial Position for RAB. The indicative amount for this is \$2,443,269,000 at the time of producing these statements. The value of assets transferred has been disclosed in the note using the Regulated Asset Base (RAB) valuation methodology approved by the Queensland Government for

water pricing purposes. As the arrangements for the transfer were not finalised at the time of this financial report, a significant uncertainty exists in relation to the assets and liabilities being transferred and the likely impact on the valuation and classification of the authority's assets and liabilities from 1 July 2010.

A Second Transfer Scheme is to be provided to the minister for approval. Final participation rights held by each Participating Council in the Northern SEQ Distributor Retailer - Authority will be finalised following the completion of the Second Transfer Scheme.

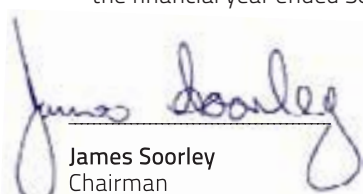
It is the intention of the Participating Councils to disclose the fair value of the assets, in their financial statements at 30 June 2010, for those that are transferring on 1 July 2010, at depreciated replacement cost. This value is not the same as the RAB on which the participation rights have been determined.

Costs incurred by the Participating Councils for the establishment of the Authority are the subject of a claim from the authority. The nature of the eligible costs to be included in the claim is dependent on approval by the appropriate minister.

Certificate of Northern SEQ Distributor-Retailer Authority for the period 3 November 2009 to 30 June 2010

These general purpose financial statements have been prepared pursuant to section 62 (1) of the *Financial Accountability Act 2009 (the Act)*, relevant sections of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 62 (1) (b) of the Act we certify that in our opinion:

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material aspects; and
- b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Northern SEQ Distributor-Retailer Authority for the financial year ended 30 June 2010 and of the financial position at the end of that year.



James Soorley
Chairman

31 August 2010



Jon Black
Chief Executive Officer

31 August 2010



Peter Scott
Chief Financial Officer

31 August 2010

Independent Auditor's Report

To the Board of the Northern SEQ Distributor-Retailer Authority

Report on the Financial Report

I have audited the accompanying financial report of the Northern SEQ Distributor-Retailer Authority which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date, a summary of significant accounting policies, other explanatory notes and certificates given by the Chairman, Chief Executive Officer and Chief Financial Officer.

The Board's Responsibility for the Financial Report

The Board is responsible for the preparation and fair presentation of the financial report in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. These auditing standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Auditor's Opinion


In accordance with s.40 of the
Auditor-General Act 2009 -

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report has been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of the Northern SEQ Distributor-Retailer Authority for the period 3 November 2009 to 30 June 2010 and of the financial position as at the end of that period.

Emphasis of Matter -

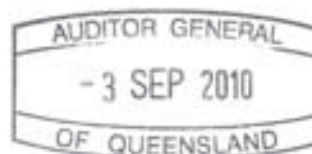
Significant Uncertainty regarding the value of asset transfers on 1 July 2010.

Without qualification to the opinion expressed above, attention is drawn to Note 13 to the financial statements. On 1 July 2010, the Authority became responsible for the delivery of water and wastewater services to customers within the local government areas of the two Participating Councils: Moreton Bay and Sunshine Coast. On this date each participating council transferred assets necessary for the authority to operate this business. The value of assets transferred has been disclosed in the note using the Regulated Asset Base (RAB) valuation methodology approved by the Queensland Government for water pricing purposes which may not equate to asset valuations for accounting purposes. As the accounting valuation methodology has not been finalised at the time of this financial report, a significant uncertainty exists in relation to the value of the assets being transferred and the likely impact on the valuation and classification of the authority's assets from 1 July, 2010.



G G POOLE FCPA

Auditor-General of Queensland



Queensland Audit Office
Brisbane

Independent Auditor's Report

To the Board of the Northern SEQ Distributor-Retailer Authority

Matters Relating to the Electronic Presentation of the Audited Financial Report

The auditor's report relates to the financial report of the Northern SEQ Distributor-Retailer Authority for the period ended 30 June 2010 included on the Northern SEQ Distributor-Retailer Authority's website. The Board is responsible for the integrity of the Northern SEQ Distributor-Retailer Authority's website. I have not been engaged to report on the integrity of the Northern SEQ Distributor-Retailer Authority's website. The auditor's report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from the Northern SEQ Distributor-Retailer Authority, to confirm the information included in the audited financial report presented on this website.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

Report on the Financial Report

I have audited the accompanying financial report of the Northern SEQ Distributor-Retailer Authority which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date, a summary of significant accounting policies, other explanatory notes and certificates given by the Chairman, Chief Executive Officer and Chief Financial Officer.

The Board's Responsibility for the Financial Report

The Board is responsible for the preparation and fair presentation of the financial report in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting

Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. These auditing standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

The Auditor-General Act 2009 promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Auditor's Opinion


In accordance with s.40 of the Auditor-General Act 2009-

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report has been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of the Northern SEQ Distributor-Retailer Authority for the period 3 November 2009 to 30 June 2010 and of the financial position as at the end of that period.

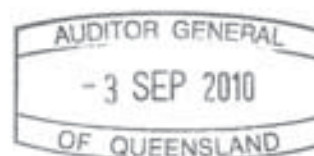
Emphasis of Matter -

Significant Uncertainty regarding the value of asset transfers on 1 July 2010.

Without qualification to the opinion expressed above, attention is drawn to Note 13 to the financial statements. On 1 July, 2010, the Authority became responsible for the delivery of water and wastewater services to customers within the local government areas of the two Participating Councils: Moreton Bay and Sunshine Coast. On this date each participating council transferred assets necessary for the authority to operate this business. The value of assets transferred has been disclosed in the note using the Regulated Asset Base (RAB) valuation methodology approved by the Queensland Government for water pricing purposes, which may not equate to asset valuations for accounting purposes. As the accounting valuation methodology has not been finalised at the time of this financial report, a significant uncertainty exists in relation to the value of the assets being transferred and the likely impact on the valuation and classification of the authority's assets from 1 July, 2010.



G G POOLE FCPA
Auditor-General of Queensland



Queensland Audit Office
Brisbane

Glossary

Term	Meaning
Establishment Committee	The Establishment Committee comprised the Moreton Bay and Sunshine Coast Regional Councils' Mayors, Chief Executive Officers and Chief Financial Officers.
Establishment program	The period of Unitywater's establishment from November 2009 to 30 June 2010.
Distributor-retailer	The term that describes Unitywater's two core business functions in managing the distribution networks and providing water supply and sewerage service retailing (customer service, billing).
ICT	Information Communications Technology
NSDRA	Northern SEQ Distributor - Retailer Authority.
Participation Agreement	Sets out the rights of the participant councils and obligations of Unitywater to those councils.
Sewerage	Sewerage means a sewer, access chamber, vent, engine, pump, structure, machinery, outfall or other work used to receive, store, transport or treat sewage.
SEQ	South East Queensland
Service Level Agreement	A service contract where the level of service is formally defined.
Workforce Framework	A document negotiated by the Council of Mayors SEQ (on behalf of the SEQ local governments) and unions that protects employment terms and conditions for employees affected by water reform changes.
Water supply	The transportation of potable water through Unitywater's infrastructure to residents and businesses.



This Unitywater annual report has been printed on environmentally friendly paper with the following credentials:



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